

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 SSO-00 NSCE-00 USIE-00 INRE-00
SP-02 AID-05 EB-08 NSC-05 TRSE-00 SS-15 STR-04 OMB-01
CEA-01 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04
OPIC-06 IGA-02 DODE-00 PM-04 H-02 L-03 PA-02 PRS-01
ACDA-10 ERDE-00 ERDA-07 FEAE-00 OES-06 /107 W
-----071635Z 058050 /44

O R 071301Z MAR 77
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC IMMEDIATE 1731
INFO AMCONSUL BOMBAY
AMCONSUL MADRAS

UNCLAS SECTION 1 OF 2 NEW DELHI 3307

C O R R E C T E D C O P Y (TEXT)

E.O. 11652: N/A
TAGS: PINT,IN
SUBJECT: WARREN UNNA ARTICLE IN STATESMAN MARCH 7

REF: CALCUTTA 0550

FOLLOWING SENT ACTION NEW DELHI FROM CALCUTTA MARCH 7TH
REPEATED TO YOU:

QUOTE:

UNCLAS SECTION 1 OF 2 CALCUTTA 0550

E.O. 11652: N/A
TAGS: PINT, IN
SUBJ: WARREN UNNA ARTICLE IN STATESMAN MARCH 7

1. FOLLOWING IS FULL TEXT OF UNNA ARTICLE CARRIED IN
CALCUTTA STATESMEN MARCH 7 UNDER HEADLINE "U.S. MOVE TO
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CUT I.D.A. AID TO INDIA".

2. BEGIN QUOTE: WASHINGTON, MARCH 6 - THE CARTER ADMINIS-
TRATION IS MANOEUVRING TO CUT INDIA'S SHARE OF THE WORLD
BANK'S INTERNATIONAL DEVELOPMENT ASSOCIATION SOFT-LOAN
KITTY. THIS IS BEING DONE AS A SWEETENER TO PERSAUDE
RELUCTANT LEGISLATORS TO APPROPRIATE THE U.S. SHARE OF THE

IDA'S NEW FUNDING.

IN ORDER TO PROPITIATE CONGRESSIONAL CRITICS, THE CARTER ADMINISTRATION'S TREASURY OFFICIALS HAVE ASSURED THE LEGISLATORS THAT NO FUTURE U.S. COMMITMENTS TO THE IDA WOULD BE BINDING UNTIL CONGRESS HAD GONE THROUGH THE ACTUAL APPROPRIATION PROCESS, AS WELL AS THE INITIAL LEGISLATIVE AUTHORIZATION PROCESS. NOW, THEY ARE ASSURING THESE CRITICS THAT THE USA, AS THE WORLD BANK'S MAJOR CONTRIBUTOR WILL SEE TO IT THAT INDIA'S 40 PERCENT OF IDA LOANS WILL BE CUT.

INDIA IS THE 'FALL GUY' BECAUSE IT IS NOT ONLY THE LARGEST SINGLE BENEFICIARY OF WORLD BANK LENDING BUT ALSO THE COUNTRY WHOSE UNPOPULARITY AMONG SOME MEMBERS OF CONGRESS HAS CAUSED THIS UNPOPULARITY TO RUB OFF ON THE IDA ITSELF.

SPEARHEADING THE OPPOSITION TO INDIA IS CONGRESSMAN CLEARENCE LONG, A DEMOCRAT FROM MARYLAND AND FORMER PROFESSOR OF ECONOMICS AT JOHNS HOPKINS UNIVERSITY. MR. LONG, THIS YEAR, HAS BECOME CHAIRMAN OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE CONCERNED WITH FOREIGN AID FUNDING, AND SO IS IN AN EXTREMELY POWERFUL POSITION. LAST YEAR, HE SUCCEEDED IN GETTING CONGRESS TO PASS AN AMENDMENT FORBIDDING THE US EXECUTIVE DIRECTOR ON THE WORLD BANK BOARD FROM VOTING FOR ANY LOANS TO IMZAA TILL INDIA SIGNS THE NUCLEAR NON-PROLIFERATION TREATY.

QUERIED FOR COMMENT YESTERDAY, MR. LONG TOLD THE STATESMAN: 'I DON'T THINK INDIA IS ENTITLED TO 40 PCERCENT BECAUSE I DON'T THINK INDIA HAS JUSTIFIED THAT PERCENTAGE ON ITS RECORD. I AM NOT SATISFIED THAT INDIA HAS USED ITS MONEY WISELY FOR THE POOR PEOPLE. AND THEN TOO, THE MOVEMENT OF UNCLASSIFIED

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INDIA INTO NUCLEAR EXPLOSIVES IS SOMETHING THAT WE SHOULD NOT BE ENCOURAGING'.

NOTING THAT THE USA NOW IS BEING ASKED TO STEP UP ITS ANNUAL FUNDING LEVEL FOR THE IDA FROM DOLS500 MILLION A YEAR TO DOLS800 MILLION. MR. LONG SAID THAT HE WAS AGAINST THAT TOO: 'I DON'T THINK IT IS GOOD POLICY FOR US TO INCREASE THE SHARE OF OUR MONEY GOING TO MULTILATERALS BECAUSE WE HAVE NO CONTROL OVER IT'.

ALSO ON MR LONG'S KEY HOUSE APPROPRIATIONS SUBCOMMITTEE ARE MR. CHARLES WILSON OF TEXAS AND MR. EDWARD KOCH OF NEW YORK, BOTH DEMOCRATS AND HIGHLY CRITICAL OF INDIA IN THE PAST.

AND ON THE SENATE SIDE, WHEN THE TREASURY SECRETARY, MR. MICHAEL BLUMENTHAL, GAVE HIS WORLD BANK FUNDING PRESENTATION LAST WEEK, ONE DEMOCRATIC SENATOR, MR. LAWTON CHILES OF FLORIDA, EXPRESSED AMAZEMENT AT THE INCREASED US FUNDING BEING ASKED FOR THE IDA GENERALLY: AND ONE REPUBLICAN SENATOR, MR. RICHARD SCHWEIKER OF PENNSYLVANIA, EPXRESSED DOUBTS ABOUT INDIA.

ALL THIS HAS CAUSED THE CARTER ADMINISTRATION TO REVERSE ITS EARLIER BOLD APPROACH ABOUT WORLD BANK FUNDING.

ON FEBRUARY 17, WHEN THE NEW ASSISTANT SECRETARY OF THE TREASURY, MR. C. FRED BERGSTEN, MADE HIS INITIAL PRESENTATION BEFORE THE LONG SUBCOMMITTEE, HE DECLARED: 'I WOULD LIKE TO NOTE AT THIS POINT THAT A CEILING OF 40 PERCENT OF TOTAL IDA CREDITS HAS BEEN MAINTAINED IN IDA LENDING TO INDIA. ALTHOUGH THIS CEILING RESULTS IN INDIA RECEIVING A LOWER PER CAPITA AID LEVEL THAN MOST OTHER IDA RECIPIENTS, IT ENABLES A REASONABLE GEOGRAPHICAL BALANCE TO BE ACHIEVED IN THE OVERALL DISTRIBUTION OF IDA CREDITS'.

BUT THEN, AFTER BEING HIT BY CRITICISM FROM MR. LONG AND OTHERS MR. BERGSTEN WENT ON TO THE SPECIAL IDA DONORS' MEETING IN PARIS ON FEBRUARY 26 AND DECLARED THAT THE USA NOW FELT INDIA'S SHARE OF 40 PERCENT OF IDA FUNDING WAS TOO MUCH AND SHOULD BE CUT BACK. AND MR. BERGSTEN MEANS TO BE MORE SPECIFIC WHEN HE GOES TO VIENNA NEXT WEEK FOR THE UNCLASSIFIED

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MARCH 14-15 IDA REPLENISHMENT NEGOTIATIONS

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 SSO-00 NSCE-00 USIE-00 INRE-00

SP-02 AID-05 EB-08 NSC-05 TRSE-00 SS-15 STR-04 OMB-01

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 1736

INFO AMCONSUL BOMBAY

AMCONSUL MADRAS

UNCLAS SECTION 2 OF 2 NEW DELHI 3307

CORRECTED COPY (TEXT)

THE STATE DEPARTMENT, WHEN QUERIED BY THE STATESMAN, CONFIRMED THE SHIFT IN THE US POSITION: "WITHOUT PREJUDICING THE SHARE OF INDIVIDUAL COUNTRIES, THE USA DOES BELIEVE THAT THE IDA SHOULD PROVIDE BROADER SUPPORT FOR LOW-INCOME DEVELOPING COUNTRIES. THIS ISSUE CAME UP AT A RECENT PARIS DONORS' MEETING AND WE SUPPORTED A PERIODIC REVIEW OF IDA LENDING, HAVING MIND THE NEED OF A NUMBER OF COUNTRIES, SUCH AS THOSE IN SOUTHERN AFRICA AND EGYPT WHICH NOW RECEIVE VERY MODEST IDA SUPPORT. OUR GOAL IS TO ASSURE BOTH SUCCESSFUL IDA REPLENISHMENT AND AN EQUITABLE SHARE OF LOW-INTEREST LOANS'.

THE INDIAN EMBASSY IN WASHINGTON NOT ONLY IS CONCERNED ABOUT WHAT EFFECT THE NEW US MANOEUVRING MIGHT HAVE IN REGARD TO THE IDA, BUT ALSO IN REGARD TO INDIA'S SHARE OF THE NEW INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT.

INDIAN OFFICIALS SAY THAT, BY ONE WORLD BANK CRITERION FOR SPLITTING IDA LOANS AMONG NEEDY POPULATION MASSES, INDIA SHOULD BE RECEIVING 60 PERCENT OF THE OVERALL DISTRIBUTION: AND THAT BY THE OTHER WORLD BANK CRITERION OF UNCLASSIFIED

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ABSOLUTE POVERTY, INDIA SHOULD BE RECEIVING 70 PERCENT.

ACTUALLY WHEN THE IDA WAS FIRST CREATED, INDIA RECEIVED 50 PERCENT OF THE OVERALL DISTRIBUTION. THEN, AFTER SOME YEARS, THIS WAS CUT BACK TO 40 PERCENT. AT THE IDA'S CURRENT FUNDING LEVEL, THIS AMOUNTS TO DOLS600 MILLION A YEAR IN IDA LOANS MADE OVER A 50-YEAR PERIOD WITH ONLY A 0.75 PERCENT CARRYING CHARGE.

IN RATIONALIZING ITS CHANGED POSITION, THE USA SAYS THAT SINCE THE IDA'S OVERALL FUNDING IS TO BE GIVEN A SUBSTANTIAL BOOST IN VIENNA, INDIA ACTUALLY STANDS A CHANCE TO RECEIVE MORE IDA LOAN MONEY EVEN THOUGH ITS 40 PERCENT SHARE MAY BE CUT BACK. IT IS ALSO BEING SAID THAT INDIAN CAN LOOK TO MORE LOAN MONEY FROM THESE REGULAR WORLD BANK LOANS. THESE HOWEVER ARE FOR ONLY 20 YEARS AND CARRY AN 8.5 PERCENT INTEREST CHARGE. AND, IN THE PAST, THE WORLD BANK HAS LIMITED THOSE CONVENTIONAL LOANS TO THE AMOUNT OF DEBT SERVICING CAPACITY IT THOUGHT THE INDIAN ECONOMY COULD SUSTAIN.

ALSO, INDIAN OFFICIALS SAY THAT INDIA DEPENDS SOLELY ON THE IDA WHEREAS OTHER DEVELOPING COUNTRIES, SUCH AS EGYPT, CAN LOOK TO AID FROM THE MUSLIM OIL COUNTRIES, OR FROM SUCH REGIONAL GROUPS AS THE ASIAN DEVELOPMENT BANK, WHICH INDIA HAS VOLUNTARILY REFRAINED FROM TAPPING.

FOURTH REPLENISHMENT

THE IDA'S PRESENT FOURTH REPLENISHMENT RUNS DRY ON JUNE

30, HENCE THE URGENT NEED FOR THE VIENNA NEGOTIATING MEETING NEXT WEEK TO PROVIDE NEW LOAN MONEY FOR THE NEXT REPLENISHMENT PERIOD WHICH BEGINS JULY 1.

BECAUSE OF BALKING FROM CONGRESS ON ACTUAL APPROPRIATIONS, THE USA RIGHTNOW IS IN ARREARS ON THE IDA LOAN MONEY ALREADY PLEDGED. AND, BECAUSE OF ANTICIPATED SLOWNESS IN PROVIDING MONEY FOR ANY NEW PLEDGES, THE USA DURING AN EARLIER IDA MEETING IN KUWAIT, PERSUADED OTHER IDA DONORS TO 'BRIDGE' NEW FUNDING. THESE OTHER DONORS THEN VOLUNTARILY AGREED TO MAKE THEIR CONTRIBUTIONS AHEAD OF TIME SO AS TO GIVE

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THE CARTER ADMINISTRATION AND THE NEW CONGRESS A SIX-MONTH GRACE PERIOD IN WHICH TO ACT.

BUT NOW, WITH THE CARTER ADMINISTRATION MANOEUVRES REGARDING INDIA, IT IS NOT CLEAR HOW THE WORLD BANK'S OTHR MAJOR

DONORS MIGHT REACT. TECHNICALLY, THE ALLOCATION OF IDA LOAN MONEY IS A MATTER FOR THE WORLD BANK'S EXECUTIVE DIRECTORS AND THE WORLD BANK MANAGEMENT STAFF TO DECIDE. BUT SINCE THE USA IS BY FAR THE BIGGEST SINGLE CONTRIBUTOR TO WORLD BANK LENDING MONEY, ITS ARGUMENTS ' NO MATTER HOW UNPOPULAR - CANNOT BE IGNORED.

IN THE PAST, THE WORLD BANK SUFFERED ACUTE EMBARRASSMENT AS AN INTERNATIONAL AGENCY BY ALLOWING THE USA TO PRESSURE IT. FIRST, IT WAS A MATTER OF WITHHOLDING LOANS FROM CHILE WHEN IT WAS UNDER THE LEFTIST ALLENDE GOVERNMENT WHICH THE USA DID NOT LIKE. THEN, IT WAS A MATTER OF BEING PRESSURED INTO GRANTING LOANS TO CHILE WHEN IT WAS UNDER TE PRESENT RIGHTISTS MILITARY GOVERNMENT WHICH THE USA CHOOSES NOT TO OPPOSE.

HIGH WORLD BANK OFFICIALS ARE KNOWN TO BE DOING SOME MANOEUVRING OF THEIR OWN IN AN ATTEMPT TO PERSAUDE THE CARTER ADMINISTRATION TO BACK DOWN FROM ITS NEW STAND REGARDING INDIA. END QUOTE. KORN

UNQUOTE: SCHNEIDER

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